

FEMA National Flood Insurance Program

Agent Talking Points: Preferred Risk Policy Eligibility Extension

The Preferred Risk Policy Eligibility Extension is for owners of properties newly mapped into high-risk Special Flood Hazard Areas (SFHAs). The talking points below will help you in discussing this option with your clients. For additional information, contact your WYO company or go to Agents.FloodSmart.gov or FloodSmart.gov/PRPEExtension.

What led to the current extension?

- Since 2003, FEMA has led a major effort to update the nation's flood maps to reflect current flood risks. FEMA is continuing to provide new maps through a program known as Risk MAP (Risk Mapping, Assessment & Planning).
- As new maps have been issued, many property owners have learned that their risk of flooding has changed and that they are now in high-risk Special Flood Hazard Areas.
- The change can mean new flood insurance requirements since most lenders require flood insurance for buildings in high-risk areas.
- FEMA is temporarily allowing policies to be written at lower Preferred Risk Policy (PRP) rates.
- Beginning January 1, 2011, FEMA allowed these rates to be in place for two years after a building was mapped into a high-risk area.
- As of January 1, 2013, PRPs issued on properties located in a high-risk area may continue beyond the previously designated two-year period until FEMA completes analysis and implements a revised premium structure put in place with the Biggert-Waters Flood Insurance Reform Act of 2012.

What does the current extension mean?

- If your building was formerly in a moderate- to low-risk area and has been mapped into a high-risk area, your flood risk has increased.
- If you have a mortgage on the building, most lenders will require that flood insurance be purchased to secure the balance outstanding on the loan.
- The NFIP offers flood insurance for up to \$250,000 in building and \$100,000 in contents for residential buildings and \$500,000 in building and \$500,000 in contents for commercial buildings.
- Owners of buildings newly mapped into a high-risk area due to a map revision effective on or after October 1, 2008, and before January 1, 2011, became eligible to receive the low-cost PRP beginning January 1, 2011.
- Owners of buildings mapped into a high-risk area because of a map revision on or after January 1, 2011, are eligible to receive the low-cost PRP.
- A PRP premium for a residential building and contents ranges from \$129 for \$20,000 in building and \$8,000 in contents coverage to \$412 (without basement or enclosure) for the maximum \$250,000 building and \$100,000 contents coverage. A residential tenant can get coverage for as low as \$55 for \$8,000 in contents coverage (all premium calculations as of October 1, 2012).

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- In order to receive reduced premiums, the property must meet PRP eligibility requirements related to claims and disaster aid. If there have been two disaster relief payments, or claims for flood losses of \$1,000 or more, or three losses of any amount, the structure is ineligible for a Preferred Risk Policy.

What are the benefits?

- The reduced cost provides additional time to save and prepare for paying likely rate increases once premium rate revisions from the Biggert-Waters Flood Insurance Reform Act of 2012 are implemented.
- This extension provides more time for communities to upgrade or mitigate flood control structures to meet FEMA standards and reduce the flood risk. This reduces the financial impact on residents and businesses in the long term while making the community a safer place to live and work.

What to do

- If a building does not qualify for a PRP due to claims or disaster aid history, there are additional rating options offered through the NFIP, which may result in additional savings (e.g. grandfathering, elevation rating, and higher deductibles).
- Previous and current flood zone documentation will be required to validate PRP extension eligibility. For example, you may use a copy of the previous flood map and current flood map showing where the building is located or obtain a signed and dated letter from a local community official indicating the address, flood zone, map panel and map effective date.